

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2662 - SB 2540

February 28, 2012

SUMMARY OF BILL: Exempts anyone who is 21 years of age or older, who maintains health insurance coverage of at least \$15,000, from wearing a motorcycle helmet while riding a motorcycle. Creates a Class C misdemeanor offense punishable by a fine only of not more than \$100 for failure to provide evidence of health insurance.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$179,200

Increase State Expenditures – Exceeds \$379,000

Increase Federal Expenditures – Exceeds \$741,900

Increase Local Revenue – Exceeds \$24,700

Increase Local Expenditures – Not Significant

Other Fiscal Impact – Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to changes in tourism or as a result of other behavioral changes prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- According to the Department of Revenue, there were 171,762 motorcycles registered in as of January 2012.
- The Legislative Budget and Finance Committee of the Pennsylvania General Assembly completed a study in 2008 titled, *Motorcyclist Injuries and Fatalities Since the 2003 Repeal of the Mandatory Helmet Law*. The study included data showing that the number of motorcycle registrations increased over the seven-year period between 2000 and 2007.
- According to the Pennsylvania study, there were 214,629 motorcycle registrations in 2000 and 267,826 in 2003. The annualized rate of growth for motorcycle registrations in Pennsylvania for the three-year period (2000 to 2003) prior to the repeal of the helmet law was 7.66 percent. In 2007, there were 363,109 motorcycle registrations. In the four-year period (2003 to 2007) following the repeal of the helmet law, the annualized

rate of growth for motorcycle registrations was 7.91 percent. Therefore, the annual percentage increase in motorcycle registrations attributable to the repeal of the helmet law in Pennsylvania was 0.25 percent (7.91% - 7.66%).

- Since 2008, motorcycle registrations in Tennessee have increased by an annualized growth rate of two and seven-tenths percent (2.7%). Applying the annualized growth rate to the current number of registered motorcyclists will result in an estimated total number of registrations in 2013 of 176,400 ($171,762 \times 102.7\%$). An additional twenty-five one-hundredths of one percent (0.25%) is applied as a result of the proposed legislation resulting in approximately 441 additional registrations ($176,400 \times 0.25\%$).
- Each motorcycle registration fee is \$28.50, which will result in a recurring increase of state revenue of at least \$12,569 ($441 \times \28.50).
- It is assumed that the majority of the new motorcycle registrants will not be for experienced individuals who currently own a motorcycle. It is also assumed that the majority of additional registrants will purchase used motorcycles until they become more experienced. An internet search of pre-owned motorcycle prices in the Nashville area ranged from \$2,300 to \$35,000. A conservative estimate for motorcycle sales prices is at least \$5,000 each.
- The current state sales tax rate is seven percent (7.0%); the average local option sales tax rate is estimated to be 2.5 percent (for the first \$1,600 of the sales price); the state single article sales tax is 2.75 percent (for the portion of the sales price above \$1,600 up to \$3,200).
- The recurring increase in state sales tax revenue is estimated to be \$173,754 [$(441 \times \$5,000 \times 7.0\%) + (441 \times \$1,600 \times 2.75\%)$].
- The recurring increase in local option sales tax revenue for local governments is estimated to be \$17,640 ($441 \times \$1,600 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue. However, this allocation does not apply to revenue derived from the state single article tax.
- The recurring increase in local government revenue from the state-shared allocation is estimated to be \$7,089 ($441 \times \$5,000 \times 7.0\% \times 4.5925\%$).
- The total recurring increase in local revenue is reasonably estimated to exceed \$24,729 ($\$17,640 + \$7,089$).
- The total net recurring increase in state revenue is reasonably estimated to exceed \$179,234 [$\$12,569 + (\$173,754 - \$7,089)$].
- According to the Pennsylvania study from 2008, the number of motorcycle crashes increased after the repeal of the helmet law in 2003. From 2000 (3,235) to 2003 (3,553), the number of motorcyclists involved in crashes increased by a three-year annualized growth rate of three and two-tenths percent (3.2%). From 2003 (3,553) to 2007 (4,716), the annualized growth rate for motorcyclists involved in crashes was seven and three-tenths percent (7.3%). That is an increase in the annualized growth rate of approximately four and one-tenths percent (4.1%).
- The study also found that the number of non-helmeted riders involved in crashes increased from 15 percent to 36.8 percent.
- The number of individuals involved in a crash and hospitalized with a traumatic brain injury increased significantly the two years following the helmet repeal law as compared with the two years prior to the law. The first two years after the repeal, there were 542

head injuries per 10,000 registrants, which is approximately a 101.5 percent increase in the number of traumatic brain injuries over the two years prior [(542-269)/269].

- According to the Bureau of TennCare, 525 motorcycle accident victims, including 122 (23.24%) cases that were identified with traumatic brain injuries, were provided services in FY10-11.
- According to the Bureau of TennCare, and a 2008 *American Journal of Public Health* article Changes in Motorcycle-Related Head Injury Deaths, Hospitalizations, and Hospital Charges Following Repeal of Pennsylvania's Mandatory Motorcycle Helmet Law, hospitalization costs for head injury cases increased by 63 percent more than non-head injury cases.
- In FY10-11, TennCare spent a total of \$3,147,599 for all motorcycle accident victims, including \$1,779,235 for the 122 traumatic brain injuries. If expenditures for traumatic brain injuries increase by 63 percent, the increase in expenditures will be \$1,120,918 (\$1,779,235 x 63.0%).
- This amount does not include any increase in rehabilitation and long-term care costs or additional injuries based on the annualized growth in injuries realized in Pennsylvania. Any increase in expenditures is estimated to exceed \$1,120,918.
- Of the minimum estimated cost of \$1,120,918, the state share will exceed \$379,005 at a rate of 33.812 percent, and the federal share will exceed \$741,913 at a match rate of 66.188 percent.
- The overall number of TennCare enrollees could increase because an accident leading to substantial medical bills for a non-TennCare accident victim could lead to eligibility for the medically needy spend down program. Anyone permanently injured could become eligible for Supplemental Security Income (SSI) and be automatically eligible for TennCare. SSI is a mandatory Medicaid category that the state chooses to accept the federal determinations of eligibility. The number of individuals who will meet this eligibility determination is unknown and cannot be quantified.
- Requiring a driver to provide proof of \$15,000 worth of health insurance coverage will not result in a significant decrease in state expenditures for health care costs. Riders that do have \$15,000 worth of private health care coverage will not initially receive health services through TennCare. The number of motorcycle accident victims that TennCare currently provides health coverage for will not be reduced as a result of this mandate.
- According to the Department of Tourist Development, there will not be a significant fiscal impact based on the provisions of the bill.
- There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this bill. Increases in revenue may occur if the state's tourism increases as a result of changes to helmet usage. Increases in expenditures may occur due to changes in law enforcement demands and health expenditures. Due to multiple unknown factors such as the extent and timing of tourism changes, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.
- There will not be a sufficient number of prosecutions for local government to experience any significant increase in revenue or expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/kml